

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 2390 – SB 2358**

June 15, 2009

**SUMMARY OF AMENDMENT (009875):** Reduces from \$701,100,000 to \$211,400,000 the total value of bonds that may be authorized for issuance by the state. The total reduction of \$489,700,000 consists of the removal of authorization to issue \$350,000,000 in bonds for construction and maintenance to state highways, and reducing the authorization to issue bonds for capital outlay and for making grants to local governments from \$210,900,000 to \$71,200,000.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Expenditures – \$76,600,000 – 1<sup>st</sup> Year Debt Service

\$1,133,991,000 Over life of the bonds

\$695,700,000 Principal

\$438,291,000 Interest

(Reflected in the Governor's FY09-10 Recommended Budget)

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Expenditures – \$22,700,000 – 1<sup>st</sup> Year Debt Service**

**\$344,582,000 Over life of the bonds**

**\$211,400,000 Principal**

**\$133,182,000 Interest**

**(The Governor's FY09-10 Recommended Budget included first-year debt service costs of \$76,600,000)**

Assumptions applied to amendment:

- All projects authorized by this act shall be approved by the State Building Commission.

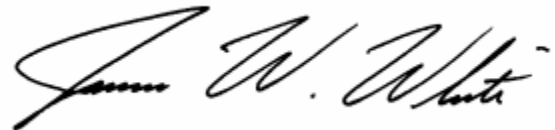
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- Bonds may be designated as college savings bonds pursuant to the Baccalaureate Education Savings for Tennessee Act.
- The coupon rate is estimated to be six percent.
- Bonds are issued for a term of 20 years.
- One-twentieth of the principal plus interest will be paid annually.
- Based on current bond market rates, it is estimated that the cost of capital reflected by a six percent coupon rate will be sufficient for paying actual first-year debt service plus any costs of issuance.
- First-year debt service on the issuance of \$211,400,000 of bonds is approximately \$23,300,000.
- According to F&A, debt service savings of approximately \$600,000 will result from the repeal of three bond authorizations with a total principal value of \$5,400,000. The anticipated debt service savings was reflected in the Governor's recommended budget (Page A-121).
- The net first-year debt service is estimated to be \$22,700,000 (\$23,300,000 - \$600,000 = \$22,700,000).

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc